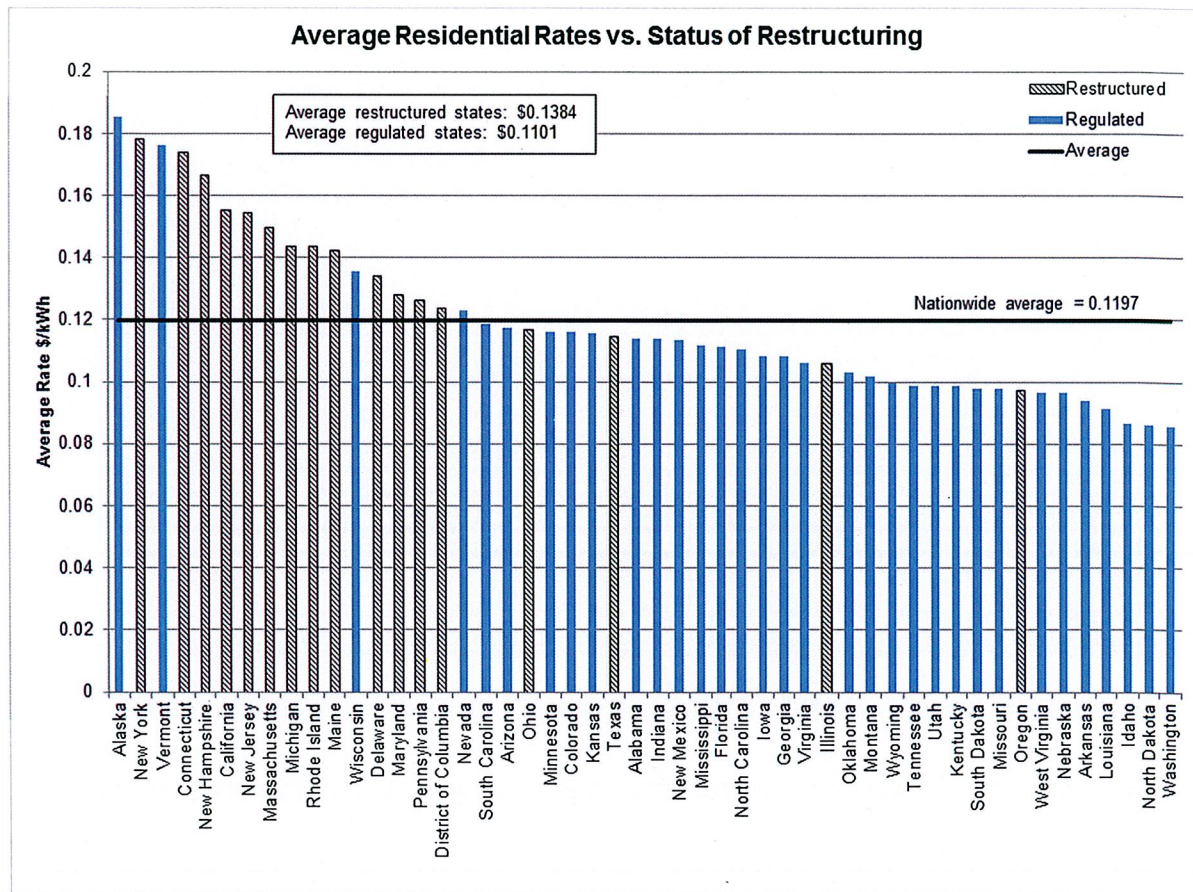


Arizona Public Service Company  
In the Matter of the Commission's Inquiry into Retail Electric Competition  
Docket No. E-00000W-13-0135  
Initial Comments

**II. RESIDENTIAL CUSTOMERS HAVE BEEN HARMED BY RESTRUCTURING**

***Residential Rates Continue to Rise***

Two of the principal motivations behind restructuring initiatives were to reduce rates and increase efficiency. The movement began largely in states with relatively high electricity prices that hoped to bring their prices in line with the rest of the country. However, with fifteen years of history to point to, efficiency benefits are being captured by the owners of generation rather than being passed on to customers. In some cases, these same owners work to prevent new supplies from entering the market thereby resulting in threats to system reliability. Residential rates in restructured states are 26 percent higher than those in regulated states. Thirteen of the seventeen states whose rates exceed the national average are restructured.<sup>10</sup>



Source: U.S. Energy Information Administration, April 2013 data

<sup>10</sup> Based on EIA Table 5.6.A "Average Retail Price of Electricity to Ultimate Customers by End-Use Sector, by State", Form 826, April 2013 data. Of note, Oregon's market currently allows customer choice for a limited number of large customers. Oregon's historical reliance on low-cost hydroelectric generation and cost-based rates for residential customers helps explain the comparatively low customer rates. Additional detail can be found in APS's response to Staff Question 1.